

# **WORKER COOPERATIVES IN FRANCE**

A report produced under the direction of Hugues Sibille

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Translated by Jim Asker

Published by the Department of Employment and Industrial Affairs for the Worker Cooperative Working Party of the Ministerial Advisory Committee on Cooperation Co-operative Monograph No. 1

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# **CONTENTS**

				Page
1.	Overview	of	the Cooperative Movement in France	5
2.	Cooperati	ve	Principles and Law	12
3.	The Econo	mi	c Weight of Worker Cooperatives	19
4.	Cooperati	ve	Development and Job Creation	22
5.	Worker Co	оре	eratives and Their Environment	28
6.	Strengths	aı	nd Weaknesses of Worker Cooperatives	44
	APPENDIX:	Í	Three Types of Cooperative Creation	48
	Figure 1.	-	Regional Unions of SCOP	
	Table l.	-	Members of the European Committee of Worker Co-operatives [CECOP]	
	Table 2.		Socio-economic weight of the French co-operative movement (1978)	
	Figure 2.		Elective Structures: SCOP and their representation	
	Table 3.	***	Evolution of the number of agricultural and worker co-ops (1970-1979)	
	Table 4.	-	Evolution fo the number of worker co-ops (1970-1981)	
	Table 5.	-	Breakdown of SCOP by size of enterprise (15 June 1982)	
	Table 6.	-	Breakdown of SCOP by sector of activity (15 June 1982)	
	Table 7.	_	Geographic breakdown of SCOP (June 19	82)
	Table 8.	_	Annual creation of co-ops (1975-1981)	
	Table 9.	_	Evolution of types of creation (1977-	1982)
	Table 10.		Breakdown of creation by sector of activity (1980-1981).	

## 1. Overview of the Cooperative Movement in France

## Typology of Cooperatives

The cooperative sector in France has diversified considerably in the course of its history and today is a heterogeneous movement. If any unity can be ascribed to it, it is through the definition of the cooperative enterprise as "an economic organization whose adherents retain ownership collectively, participate in the management in a democratic manner and distribute the surplus, not in relation to their capital holding, but in relation to their utilization of its services or their participation in its activities". There is therefore no cooperative sector in an economic sense, but in the application by all cooperative enterprises, whatever their size or sphere of activity, of a number of common rules:

- freedom of adhesion and withdrawal (open door);
- democratic management (one person = one vote);
- distribution of surplus in accordance with transactions;
- indivisibility of reserves.

It is the objects and mode of functioning which distinguishes the cooperative from the private capitalist enterprise and which therefore defines the cooperative sector.

Apart from these specificities of function, the cooperative sector is made up of enterprises (or organizations) belonging to very different economic sectors:

- producer cooperatives which class members according to their productive activity: agricultural cooperatives, fishing cooperatives, worker cooperatives, artisan cooperatives;
- user cooperatives whose object is to provide their members with the services they need: consumer, distribution, housing, and service cooperatives;
- credit cooperatives: mutual credit, agricultural credit, cooperative credit, popular banks.

The first typology is still imperfect and does not group homogenous categories of cooperatives. For instance, among producer cooperatives, it is necessary to distinguish between those whose adherents are individual proprietors (artisans, farmers, traders) from those whose members are the workers (worker cooperatives). These two types of cooperative, responding to different expectations, often have different philosophy and modes of functioning. Further, within worker cooperatives one finds enterprises which have domains of activity as different as the production of glass, theatrical productions and information systems.

This diversity in the cooperative sector is reflected on the juridical level with an extremely varied set of regulations. The

law of September 1947, the General Statute of Cooperation, has too many exceptions to justify its title. According to their form, cooperatives are subject to general legislation (company law) and/or particular legislation (the 1972 law for agricultural cooperatives, the 1978 law for worker cooperatives [SCOP], the 1917 law for consumer cooperatives, etc). One of the present aims of the government is to reform legal regulation.

The cooperative sector in France is therefore defined more by reference to basic cooperative principles than by economic criteria or a precise juridical statute. For this reason it is better to speak of a cooperative "movement".

## The Socio-Economic Weight of the Cooperative Movement

Table 2 requires several remarks:

- \* The cooperative movement, if envisaged in its entirety, represents a considerable socio-economic factor: nearly 20 million members, several hundred thousand employees (350,000 for the activities covered in the table) and a turnover of several thousand million francs per annum (almost seven hundred thousand million if the turnover figures in the table are added together). One may recall that 'Credit Agricole', which is part of the cooperative movement, is presently the second largest deposit bank in the world.
- \* The cooperative movement carries a very different weight in different sectors of activity. The turnover of agricultural cooperatives is almot 25 times that of worker cooperatives. The consolidated balance sheet of 'Credit Agricole' is 7 times greater than that of 'Credit Mutuel'. It is in the domains of agriculture and of consumption that cooperation is currently most powerful in France. One finds, for example, 40 cooperative groups among the top 100 enterprises in the sector of agro-alimentary industries (1976 year book). From this aspect, cooperatives represent more than a quarter of the agro-alimentary industry in France.
- \* If one looks at the phenomenon in a more dynamic way, the results are a little different. For example, the number of worker cooperatives is presently increasing (vide Table 3). Further if one considers the total number of members of cooperatives between 1970 and 1980, this has fallen from 2.5 million to 2 million for agricultural cooperatives while it has increased for worker cooperatives.
- \* The diversity of regulations and sectors of activity means that figures must be used with precaution. From the perspective of employment, for example, it can be stated that traders' cooperatives, which have a turnover 6 times that of worker cooperatives, employ nine times fewer people than do the latter. Or that consumer cooperatives, which have a turnover four times greater than worker cooperatives,

employ only 20 per cent more staff. It is evident that labour does not play the same role in those enterprises whose activity is essentially one of production than it does in those whose activity is distribution.

On another plane the number of members and the ratio of employees to members varies considerably according to the sectors of activity. But the act of becoming a member does not have the same meaning in a consumer cooperative, where the member is engaged solely through the act of purchase, that it has in a worker cooperative where the member is more fully involved.

The history of the cooperative movement in France shows that the development of cooperatives occurs in a different manner, and with different rhythms, in different sectors of economic activity. The appearance and development of cooperatives is not independent of the evolution of productive structures and general economic conditions.

The Main Stages of Cooperative Development

The first cooperative associations or workers' associations appeared in France during the 1830's. It may be said that the cooperative movement has its roots in a long history where a utopian current became united with concrete experimentation.

Rather than describe the development of worker cooperatives in chronological fashion, it seems more useful to look at the key events which allow an understanding of their history.

A History Tied to Changes in Capitalism

Antoine Antoni shows clearly that cooperation in its entirety, and worker cooperation in particular, is tied to the birth of captialism: "Cooperation, this child of necessity, was not engendered by the capitalist system, but rather grew out of its abuses; it was strengthened by its defects. Consumer cooperatives and housing cooperatives could no more exist in a feudal society than worker cooperatives in a rural economy. With capitalism, cooperation became necessary. It is one of the responses by the people to the consequences of the concentration of men around the machine, of the concentration of capital in the joint-stock company".

In their initial phase, workers' associations, future worker cooperatives, are marked with the seal of capitalism. They were born between 1830 and 1880 and were the "reaction" against industrial capitalism by skilled workers who wished to operate enterprises along lines other than that of money and of being under the domination of capital and money.

The principle of enterprise was accepted: free workers (not

enslaved by the machine) master a trade (typographers, joiners) and enter into association to confront the market. These trade workers created associations which were cooperative and, from the end of the century, syndical as well, in order to emancipate themselves from the capitalist entrepreneurs and to resist wage labour: they were concerned to replace wage labour with The cooperative principles which were associated labour. elaborated (appropriation of the instruments of production by producers) and the rules of operation (equality of votes, distribution of surplus, reinvestment of profits) proportional appeared generalizable to the whole of the economy where the trades predominated. Free association, in the form of worker cooperation, was constituted as an alternative to capitalism, with the support of a number of theoreticians.

Claude Vienney explains that in the following phase, from 1850 to 1950, changes in the productive apparatus maintained the preponderant parts of the economy in the hands of capitalist industry and, contrary to the hopes of the pioneers, limited the place of worker cooperatives to certain economic sectors whose characteristics rendered them 'cooperable'. Far from replacing capitalism, the free association of workers did not succeed in spreading through the sectors won by capital. The sectors where it held firm were marked by:

- the dominance of professional skill in relation to capital per head (low capital intensity); it was situated in those sectors where skilled labour counted more than the machine and where the technical division of labour remained limited.
- the preponderant character of production in relation to the marketing of products: the skill of the workers and the quality of the products were sufficient to give the access to their market in sectors where competition was not severe.
- the utilization of the surplus in investment in raising occupational skill levels rather than in productivity: investing in persons rather than machines.

Thus over this period, worker cooperatives tended more and more towards the building, printing, electrical and mechanical industries. These remain today the largest sectors of activity and profoundly mark the organization and representative structures of the worker cooperative movement.

The question now is to know if the recent period from the beginning of the 1960's, marked by the concentration of capital (creation of conglomerates), and the internationalization of exchange (opening of frontiers) and the rise in productivity, has modified the role of worker cooperatives; and if the period of consecutive crises since the first petrol shock has created a new environment for worker cooperative activity. It can be estimated, in effect, that industrial redeployment and technological change throw into question the penetration of worker cooperatives in some sectors. Thus new techniques of printing

affect printing cooperatives just as much as private printeries. In this manner, the Workers' Association in Precision Instruments [AOIP] has suffered from the changes in marketing, technological innovation and productivity; founded at the beginning of the century, AOIP became the largest worker cooperative in the world with 5000 employees in the telecommunications sector, after a number of difficulties (connected to government policies as well) a part of the cooperative was handed over to 'Thompson' and to 'CIT' the cooperative today only has 1200 workers and remains in a difficult situation.

In return, these changes can open up new sectors to cooperative activity. In this way technological sectors such as the information industry where professional qualification plays a primordial role, tertiary activities and service provision (consultancies, counselling, training, tourism, cultural activity) have realized a greater sustained growth for several years than has secondary industry, notably in terms of jobs. Cooperation can attract those categories of skilled occupations (professional staff) affected by the crises, or traditional sectors where there is an increasing penetration of wage labour: liberal professions (architects), artisans.

Finally, the crisis and the context of restructuring opens new fields for worker cooperation, in particular those enterprises or institutions in difficulty or "let go" by capitalism and whose "worker-rescuers" continue or reactivate the business: this was the case with 'Lip' and with 'Manuest' and it is the case today with many other enterprises: from the huge 'Manufrance' to the small 'Junior' (precision mechanics), including 'Marketube' (plastic tubing) and 'Jaby' (saucepans). The primacy of labour over capital allows a number of these cases to succeed where capitalism has failed. Further, worker cooperatives can play a role in the reactivation of the regions whose economic characteristics imply forms of regional development corresponding to those of worker cooperatives.

This first glance at the history of worker cooperatives leaves out the political context. It is evident that the historical attitude of parties and trade unions in regard to cooperation has played a central role. It is clear that the new policy for the development of the social economy which has been undertaken since 1981 can equally play a major role in cooperative development. But this survey shows the strong connection between the birth of cooperatives, their development and the economic conditions of production.

#### The Liaison with the Labour Movement and Social Movements

The history of worker cooperation is tied to the birth of the labour movement and socialism. In the manifesto of the First International in 1864, it stated: "To free the working masses, cooperation must attain a national development and consequentely be supported and propagated nationally". On the 16th April,

1871, the Paris Commune decreed the reopening and operation by worker cooperatives of the workshops abandoned by their bosses, and then decreed that worker cooperatives would be given preference in certain markets. A little later, it was the intervention of a young member of parliament, Jean Jaures, that permitted the creation of the Albi glassworks in the form of a worker cooperative, demonstrating the attachment of nascent socialism to the principle of the free association of workers.

This connection between worker cooperation and the labour movement was at its strongest when social contradictions were manifest, when the forces around the labour movement had taken the initiative. One saw the creation of numerous cooperatives: this was the case during the revolution of 1848 (which saw 300 started in a few weeks) during the Paris Commune, and during the Liberation. More recently, in May 1968, there was a leap in cooperation, just as in 1974, in Portugal, the Revolution of Flowers was a cooperative "nursery".

However, from the end of the 19th century and the beginning of the 20th, the labour movement, in its union and political expression, began to distance itself little by little from cooperation as a social and political project. Already the partisans of Joseph Guesde attacked workers' societies, reproaching them for turning workers into shopkeepers and giving them a "bourgeois character". The socialist forces distanced themselves from cooperation (if not from cooperatives) on the union level as well. They took up certain criticisms that Marx had already formulated: first, the cooperative movement cannot by itself transform capitalist society; second, in the capitalist mode of production which still constitutes the environment of cooperatives, it is impossible to attain the aim of associated labour. Cooperatives if they are neither hegemonic nor protected are subject to the law of value and to the market. The surplus-value produced by cooperators is not socialized, it profits the individuals themselves.

This distance between the forces of the labour movement and cooperation is manifested in the low level of theoretical production on cooperation: thus at the beginnings of the labour movement, cooperation appeared as a project where theoretical development (that of 'thinkers' such as Fourier, Louis Blanc, Proudhon, Varlin ...) and social practice joined up. After the First World War, even when the realization of the cooperative project was hardly under way, nationalization replaced cooperation on the political scene, especially when it was confronted by the harsh reality of the problem of management. The image of some cooperatives, more concerned about efficiency than democracy and about management than self-management, did nothing lessen the distance.

The historic common origins led unions (such as led the CGT to sign, in 1907, the collective convention on consumer cooperation) to "take account of the specific character of cooperatives in union actions within these enterprises". This

"tolerance" did not lead so far as defending the cooperative There is doubtlessly a major difference here between the French situation and Italian cooperation whose success can be explained in part by the better ties between the cooperative movement and political forces: the Lega for example, one of the three Cooperative Federations, is of communist persuasion. It may be asked, especially, since the blows of the economic crisis have been felt and since the symbol that the 'Lip Affair' repif an obvious modification in the attitude of unions come about, mainly due to the employmnet crisis. Some 'rescue' cooperatives (take-overs of enterprises in difficulty) have been constituted thanks to the unions (CFDT at Manuest), but others have not gone ahead due to union vetoes (Teppaz). In face of the urgency of a particular situation, ideological prejudices melt away: how otherwise can the creation of the worker cooperative Manufrance be explained, especially as the CGT had widely criticized Lip?

The emergence of a new union attitude in regard to worker cooperatives can be better understood if one takes account of changes in the unions, particularly in the CFDT where the union acts less as a counter-force, opposing the present economic system everywhere, and has become more of a negotiator. This attitude weighs economic decisions and takes timid initiatives in the management of enterprises. From this point of view, it is moving towards considering the cooperative solution as positive in so far as it permits workers to be more fully involved in the operation of their enterprise. Above all, it has become apparent that the cooperative solution has become a concrete means of carrying out the union slogan of "vivre et travailler au pays" since the aggravation of the economic crisis.

One should not conclude this rapid historical presentation of worker cooperation without underlining two current trends in worker cooperatives in France:

- Firstly, for several years, "new cooperatives" have been started, animated by people coming out of the social movements which arose after 1968, and who are striving to bring to life new collective social relations of work and to reinvent, in a very empirical way, a certain purity of the cooperative project of the pioneers. Cooperatives are thus appearing as a continuing support for social experimentation. Without doubt the cooperative option for these new entrepreneurs is due to considerations tied to the juridical (and fiscal) statute for worker cooperatives, but this is not the only reason.
- Further, since 1981, the cooperative movement in France has taken on another dimension. The social economy, including cooperatives, mutual societies and associations, has taken part in the structural reforms set out in the Government's plan, alongside that of the extension of the public sector. For the first time there exists in France the political will to support the development of cooperative enterprises as the creation of the Interministerial Delegation bears out.

## 2. Cooperative Principles and Law

The presentation of the juridical framework and cooperative statutes is not a response to some obsession on the part of jurists, but is fundamental in two ways:

- What makes worker cooperatives original is that they are at same time industrial enterprises or service providers and workers' associations. In a worker cooperative, people have a dual quality, that of being a salaried worker (employee) and that of being a member of the society (employer). It is this double characteristic of worker which distinguishes theirs other cooperators from traditional enterprises (distinction between owner worker) and from other forms of cooperative (consumer, agricultural) in which the members do not take a direct part in the work. The avowed vocation of worker cooperatives is put capital at the service of labour and promote democratic functioning from the base: one person = one vote. It is therefore very important to see how, from a legal point of view, cooperative principles are translated into a statute specific to the enterprise.
- It is not unhelpful to question if there are advantages tied the cooperative form and f they constitute a motive to this form of enterprise. This is not a theoretical choose The cooperative movement, question. in agricultural cooperation, has often been the object of attacks which criticize the so-called exorbitant advantages taxation that cooperatives enjoy and which thereby introduce dangerous distortions in competition. Even though these criticisms, emanating from the proponents of absolute liberalism, are unfounded, the problem remains to discover whether certain (particularly fiscal) advantages do not encourage some to choose a cooperative form without regard for any desire to put into practice the democratic and collective spirit which animates cooperative life.

Until 1978, the legal framework for worker cooperatives resulted from the combination of different legislative texts, more or less consistent with each other. The law of the 19th of July 1978 thus constitutes an important advance, in so far as it provides a single statute for worker cooperative societies, enthusiastically welcomed by the Confederation of Worker Cooperatives whose proposals were by and large incorporated in the legislation. During the framing of the law, the spirit that inspired the legislator was that of adapting the "historic principles of cooperation" to facilitate the provision of financing, to limit the influence of the leading members and to encourage the creation of new worker cooperatives.

This law brings together rights and acts, in so far as it does not prohibit any professional activity as an object for a worker cooperative, nor any category of worker, taking into account the recent development of worker cooperatives in the tertiary sector or with salary earners who are no longer manual workers, whence the possibility of taking the name "Societe cooperative de travailleurs" which is more suited to cooperatives not engaged in manufacturing activities (consultancy bureaux, service providers...).

The law of 1978 gives the following definition for worker cooperatives: "Worker Cooperative Productive Societies [SCOP] are formed by workers of all categories and professional level, who associate in order to exercise their professions [trades] in an enterprise that they manage either directly or through representatives appointed by them and from amongst their number. The members choose and associate themselves freely. They have equal powers regardless of the capital contribution of each of them".

Thus a worker cooperative has the dual characteristic of being at the same time an enterprise subject as are all other French commercial enterprises to obligations resulting from commercial and company law, but also an association which must respect a certain number of fundamental principles. Under company law (1966 Law on Commercial Companies), worker cooperatives have since 1978 been able to choose between two statutes, that of "societe anonyme" (SA) and that of "societe a responsibilite limitee" (SARL). The minimum number of members is 4 for an SARL cooperative and 7 for an SA cooperative. Like other companies, they are commercial organizations, the responsibility of officers being the same. The possibility opened up by the 1978 becoming an SARL cooperative has certainly been an encouragement to the development of cooperatives, especiallly for small enterprises. In effect, the SARL provides a more flexible and less formal structure than a 'societe anonyme'. The minimum number of members is lower, the accounts do not have to published, the organization of management is simpler. law of 1978 has facilitated the conversion of Further, the traditional companies into worker cooperatives. Since it does oblige the conversion to from a new legal entity, there are consequently fewer formation costs to pay. This is an encouragement for the heads of small enterprises on reaching retirement to transfer ownership of their enterprise to their employees by transforming it into a cooperative.

The juridical organization of worker cooperatives rests on four fundamental principles: freedom of membership, common ownership of the enterprise, democratic control, distribution of surplus. These basic principles which regulate the life of worker cooperatives are defined by the law of 1947 containing the general statute of cooperation.

## Freedom of Membership

This rule corresponds to one of the essential principles of cooperation: none is compelled to join, everyone is free to leave. The cooperative maintains the right of workers to remain simple employees whose work contract is governed by the general guidelines of the Labour Code or to become members, part of the cooperative, i.e. a contributing part of the capital and participating in the operation. The cooperative capital therefore is variable according to the flux of those entering and leaving. Persons, natural (employees or not of the enterprise) or artificial (another worker cooperative for instance), can become members of a worker cooperative.

democratic ideal would be if all employees were at the same time members, in this way there would be a perfect reciprocation for each cooperator in his or her role as an employee and as an employer. In reality, we are still far from this reciprocation since, in June 1982, the average level of membership was 58%, that is 58 cooperators out of every hundred have this dual quality of employee and employer. This figure is an average which conceals large disparities between different sectors of Strengths and weaknesses of worker activity (vide șec. cooperatives). It is certain that it is a violation of the cooperative ideal, since those who are only employees do not participate in the democratic operation: they are not the free associated workers that Proudhon or Fourier desired, but are employees in the classic situation of subordination vis-a-vis the employer.

In order to remedy this, the law of 1978 has raised the minimum worker-members necessary to start a worker number of cooperative. It has also allowed for cooperative statutes to provide for automatic admission (not requiring a resolution from general meeting) and for compulsory membership after a short delay (if the person concerned refuses to join, he or she is to have resigned. Finally, it stipulates that resigning from membership constitutes a breach of the work contract. These different measures move in the direction of a better application of cooperative principles, they leave unanswered a double question: what control exists and what sanctions exist in regard to worker cooperatives where the number of member-workers is notoriously deficient? For what reason, in some cooperatives, do want to become members responsible for the workers not enterprise?

## Common Ownership of the Enterprise

The worker cooperatives do not contest the necessity of all enterprises to dispose of the capital required for their activity; but they collect the capital through the savings of their worker-members and through the accumulation on non-distributable reserves. Thus they dispose of an inalienable capital, the opposite of comparable private companies.

The social capital belongs to those who work the cooperative: in to become a member, it is enough to subcribe to a social In certain cases, the statutes can provide that, to a member, it is necessary to put up a certain sum, this sum never being greater than 5% of salary. It is important to understand that this subscription on the social share represents financial engagement (the risk that all entrepreneurs take) some persons may not want to take. It happens rather frequently, therefore, that in attempting to be set up a worker cooperative out of an enterprise in difficulty, some employees to take their severence indemnities rather than to put them at risk by accepting them in the form of capital in a cooperative. The capital belongs by right therefore to those who in the cooperative: in order to avoid inequities, no one hold more than a quarter of this capital, once the member can cooperative has been in existence for ten years. This is to prevent any one individual from holding the future of the cooperative in his or her hands.

The common assets of the enterprise, are what a member initially pays on his or her joining and which may represent one or several shares. This is not done in a speculative spirit, since leaving he or she is repayed the nominal value of what was payed in, no matter to what degree it has devalued over the period, nor to what degree the enterprise may have become richer. This is a fundamental difference between the capitalist enterprise based on share capital where the shareholder is always hoping his parcel will increase in value as the enterprise develops. Such is not the case with worker cooperatives where it impossible to realize surplus value on capital; what has not been subscribed cannot be remunerated. In addition, the common is also what the enterprise earns collectively, property otherwise called the reserves, which are constituted from the annual surplus (at least 15% of the surplus) paid into the enterprise and which become in this way the collective property the worker cooperative. The surplus is realized by the collectivity, the members have only the right of possession. From this point of view the worker cooperative is not opposed to the notion of surplus realized by the enterprise but rather to that of profits returned to the contributors of the capital. In case of the liquidation of the cooperative, the residual assets from these reserves will be devolved to a cause of common interest or to the Worker Cooperative Confederation: this is what is called the indivisibility of reserves.

It is seen therefore that the great difference between a worker cooperative and an ordinary private company resides in the fact that the potential capital gains are suppressed, which makes worker cooperatives difficult to take over. The obvious consequence of this is that this type of enterprise is scarcely attractive to persons with capital who are seeking to realize a profit, and worker cooperatives have therefore often experienced difficulties in assembling sufficiently large funds. This is one of the reasons why they are found in sectors of activity where there is a greater need for work and skill than for large

amounts of capital (low capital intensity). One of the reforms currently being studied by the Delegation on the Social Economy consists of seeking means of strengthening cooperative funds.

#### Democratic Control

A general meeting of cooperators votes on the basis of the principle: one person = one vote, no matter what the capital contribution of each of them may be. The general assembly elects and removes at any time the officers and, in the the last instance, takes the most important decisions. This role of general meetings of members is not in itself very different from general meetings of private companies; where it differs is that the shareholders of a worker cooperative are also the workers in power in the enterprise thus enterprise: the source of resides in principle not in the capital factor, but in the labour factor. Concretely, at the level of the management of the enterprise, the same forms as in traditional companies are law of 1978 having opened up the possibility of found; the opting for either an SA statute or an SARL statute, the elected officers forming either a board of directors (+ managing director) - or a management committee (+ executive) - for the SA designate one or several officers for the SARL; worker cooperatives remain subject to the same rules principally conceived for companies.

The questions raised by the cooperative principle of democratic control are numerous. Let us look at two of them. The first concerns the interrelationship that exists between the juridicial principles inserted in a statute and the real exercise of decision-making power (formal power, real power). To be able to judge the reality of democratic control it is necessary to use categories other than juridical ones: what is the level of participation of workers at general meetings? What sort of decisions are taken at them? What information is provided? How are decisions carried out?

This interrelationship between the juridical statute and actual practice has at times led the new post-1968 entrepreneurs to see the legal requirements as a matter of filling out forms. What counts more for them is not so much to know if the statute adopted is that of a worker cooperative, of a traditional company or of an association but rather to know what its concrete functioning is: absence of hierarchical power, job rotation, different collective relations ...

The second question in relation to democratic control concerns the connection between the power of management and political power: worker cooperatives are enterprises confronted by the market place and by competition. They must thus ceaselessly find an equilibrium between efficiency and democracy. What are the respective powers of an elected board of directors; which thereby enjoys political power and the manager, unelected but 'competent' in the financial area? The essential is to refrain

from a generalized judgement that masks the heterogeneity of particular situations. Starting from the same legal statute the whole gamut of democratic situations is possible. But the question of the relationship between the elected representative and the technician remains. This refers not only to the frequently raised problem of the education of cooperators for management, but also to the point, less often raised, of the 'cadres' of the social economy. The absence of specific training for cooperative managers within universities or institutes remains one of the difficulties for the cooperative movement. This situation presents a double risk in so far as it concerns management personnel: those coming from the shop floor are often not able to resolve problems beyond a certain level; those coming from the private sector applying the traditional principles of all capitalist firms.

## Distribution of Surplus

After making the necessary allowance for the continuation of the cooperative, the surplus serves to renumerate in part the capital and in part the employees. It is the latter who must benefit in the first instance, in order to maintain the primacy of labour over capital. Thus the renumeration accorded to capital is statutorily inferior to that accorded to the workers. It cannot exceed 25% of net surplus, and the workers' part cannot be less than 25% of net surplus.

The share of surplus returned to labour (pro rata with salary or working hours) can be placed in a 'participation reserve'. The surpluses effected in this way are totally exempt from company tax or income tax on members. They are locked into an account and remunerated over a period of five years, which allows the cooperative to use them to support its liquidity. In addition, this participation reserve, which is not specific to worker cooperatives, gives the right to make an equal amount available for investment which is also exempt from tax. Thus company tax which in France is 50% of net profit, falls to a very low level for worker cooperatives, which can then develop an interesting self-financing option.

This fiscal system has two consequences. On one hand, it can attract entrepreneurial promoters to opt for the cooperative statute, not because of the enunciated principles, but because of an advantageous fiscal system. These cases are not rare. On the other hand, it is not sufficiently interesting because of the difficulty in realizing dividends to attract large capital. Put in a different way, this fiscal system is a motive, but the absence of a potential dividend is a brake for investors of capital; the result is that in certain regulations favour the creation of cooperatives.

In conclusion, one should be reminded of the hybrid character of the worker cooperative, at once subject to the regulations conceived for capital based companies and at the same time to regulations proper to cooperation. French law remains totally dominated by the view of the enterprise as a capital function. One of the medium term objectives of the Delegation to the Social Economy consists of developing a statute for collective interest enterprises which breaks with the rationale of capital companies.

## 3. The Economic Weight of Worker Cooperatives

As of the 15th of June 1982, there were 1050 worker cooperatives which were members of the 'Confederation generale des SCOP', employing around 35,000 persons, 20,000 of whom were members (some 57%) and realizing a turnover of 6.6 thousand million francs (\$A 942 million) before tax (4.2 thousand million in 1978, 4.9 thousand million in 1980).

Over the past eleven years, the number of worker cooperatives has grown by 65%.

## Figures according to type of commencement

Of the 804 worker cooperatives existing in January 1981:

- \* 576 were created ex-nihilo, some 72% of the total;
- \* 138 were created through the conversion of businesses in difficulty; some 17%;
- \* 90 have been through the transformation of traditional companies, 11% of the total.

The great majority of present worker cooperatives result from ex-nihilo start ups.

## Figures according to the size of the enterprise

The worker cooperatives are small enterprises, limited to small industry 45% of them have fewer than 10 employees and 88% have less than 50 employees.

There are among these, however some large enterprises: six worker cooperatives figure on the list of the 1000 leading French enterprises with more than 500 employees. One can mention:

the 'Association ouvriere en instruments de precision' [AOIP], created in 1896 and which, after being the largest worker cooperative in the world with 4,665 employees in 1978, splintered and saw its workforce fall to 1,215 at the end of March 1982. Working principally for the post office, it grew with the extension of the telecommunications market. The lack of diversification and its dependence on the State market caused grave difficulties when the ministry decided to introduce electronics into the telephone system. The policy that was introduced developing French industry benefited 'CIT-ALCATEL' and 'Thompson' which took over a part of the activity of AOIP. With the remaining capacity and 1200 employees, AOIP has oriented towards private telephony, precision instruments and is attempting to

diversify into new activities such as robotics.

- ACOME (Association cooperative d'ouvriers en materiel electrique) which operates in the electric cables sector and represents, with 800 employees, one of the great successes of the cooperative movement.
- the Verrerie ouvriere d'Albi [VOA], perhaps the best known cooperative to the wider public created in 1895 by the glass workers of Carmeaux, who broke the lock-out of their With the assistance of Jean Jaures and the factory. socialist movement, they constructed a new factory at Albi, with financial assistance coming from all over France. It is presently the fourth largest enterprise in a verv competitive glass market, some distance behind BSN and Saint-Gobain [Duralex]. It is endeavouring to modernize its productive apparatus.
- in the building industry while the majority of cooperatives are small, there are some which are particularly large: Hirondelle in Paris (800 employees) which operates in all the main construction areas, and Avenir in Lyons, created in 1919 by masons supported by E. Herriot, the radical mayor, and which has developed in particular working for the Lyons urban authority in the area of housing estates.

Overall, the important role played by the public market for these large enterprises is evident which explains both their strengths and weaknesses. The protected character of their market has caused them at times to be slow in taking up the modernization and diversification of their industrial plant.

## Breakdown According to Sector of Activity

The most important sectors are:

\* building and connected activities with 39% of cooperatives and 44% of employees. All types of trades are represented: construction (masonery...), outfitting (joinery, plumbing, electricity).

Among the best known cooperatives are Hirondelle (heavy construction, Paris), Avenir (heavy construction, Lyons), Union Travaux (public works, Paris), Chantiers de Rocheburne (joinery, Paris), La Fraternelle (joinery, Saint-Lo).

- \* The sector of service provision in the intellectual and cultural area with 19% of Cooperatives is expanding. Amongst these are consultancy groups connected to the building industry (surveyors, topographers, technical study offices, urban planners, architects ...), economic and business consultancies, theatre groups the best known of which is probably the 'Theatre du Soleil'.
- \* The printing and publishing sector with 10% of cooperatives

which includes cooperatives in every part of the sector: photocomposition, photogravure, impression printing, newspapers. 'Emancipatrice', a large printer, and two regional newspapers, L'Yonne republicaine' and 'Le Courrier picard', are examples.

\* The sector of mechanics, metal work and electricity with 10% of cooperatives, many of which are very small enterprises, often working as sub-contractors, but also two large cooperatives: AOIP and ACOME. The latter is one of the great financial successes of the cooperative movement.

## Geographical Distribution of Worker Cooperatives

Three regions alone contain 70% of worker cooperatives: the Parisian region, the South-East and the West (Brittany, Loire & Lower Normandy).

\*

The statistical panorama illustrates some of the contradictions that emerge from the history of worker cooperatives. The breakdown according to economic sectors demonstrates the contiuing importance of the 'historic' activities of worker cooperation: building still represents 44% of cooperative jobs, and if one adds to that mechanics and printing, then 65% of jobs are accounted for. It can thus be seen that cooperative activity remains sectorial and constituted by a fabric of small enterprises (88% have less than 50 employees) in which work skills are the important factor. There are few unskilled worker cooperatives as the free association of workers implies a high level of awareness of responsibility and a mastery of the operation and control of machinery that capitalism has not developed among all categories of workers; the enterprise 'Junior', which has converted into a cooperative following a judicial decision is a good example. It is composed of highly skilled professional workers, highly unionized and working in the area of skilled mechanics for the aeronautics industry. However, this panorama should make it apparent that the service sector, in particular intellectual services with 20% of cooperatives, represents a continuously and rapidly developing sector which could over time progressively alter the profile and the sociological composition of the cooperative movement.

## 4. Cooperative Development and Job Creation

One of the reasons for the present interest in cooperatives is because of the promise they hold for resolving many of the problems of employment. It is therefore useful to see how worker cooperatives have developed in the course of the last few years, how they were created and to measure the jobs that have been created in this way.

#### The evolution of cooperative creation

The number of cooperatives created each year and the number of jobs thus added to the employment market are modest if they are compared to the aggregates on the national account: 228 worker cooperatives created in 1981 for 3202 jobs represents a small figure compared to the private and public sector.

However, the rate of progress in the creation of cooperatives mollify these figures.

They do not include all worker cooperatives, for those not members of the 'Confederation Generale' are not included. According to Ministry of Labour statistics, there are 200 worker cooperatives which are not members, 100 of which have been started since 1980. There is no doubt that there is a correlation between the present development of worker cooperatives (one founded every day in 1982) and the consequences of the economic crisis — in effect since 1975 and the impact of the petrol crisis — that the rate of cooperative growth started a net rise.

the 35,000 cooperative jobs in 1982, 64% represented ex-nihilo creations, that is to say entirely new enterprises created as cooperatives. These are cases of actual job creations the part of persons getting together in order to undertake exercise in common an economic activity in a cooperative But in the table on the evolution of types of coopframework. erative creation, it can be seen that, since 1977, there is a progressive distortion between the number of new cooperatives and the number of jobs; in effect, while in the number of cooperatives created, the creations ex-nihilo remain dominant (58% in 1981), in regard to employment, it is the reanimation of faltering enterprises that the most cooperative jobs were created, (56% in 1981). This concerns the total or partial take-over of an enterprise by the personnel after it has gone into receivership; from 'Lip' to 'Manufrance', the cases have multiplied, so much so that the Confederation has started to be very prudent in the face of the numerous queries it receives: worker cooperation must defend itself from becoming the streetsweeper of capitalism in crisis. However, if one adds to the number of jobs maintained through conversion, those maintained through cooperatives created when a normal enterprise transforms

into a worker cooperative (usually when the employer has no successor), then at the end of 1981 70% of cooperative jobs have been maintained rather than created, defending rather than initiating.

breakdown according to sector of activity shows that worker cooperatives are created principally in the domain of building and public works, as well as in material and intellectual services; that is on one hand, one of the traditional sectors cooperatives, and on the other, in the new areas of advising, publicity, computing and tied consultancy, training, to the development of the higher tertiary sector. In return, measuring jobs by sector is more variable since it is sufficient only one faltering enterprise to convert into a cooperative did Manufrance with 600 jobs) to transform the figures. It can be observed however that, in the service sector, the number per cooperative enterprise created remains rather jobs limited: a little more than 8 on average in 1981, whereas it is much greater in mechanics, timber, glass, or textiles; this is because the number of reanimations of faltering enterprises is much larger in these sectors of activity.

It can be asserted that in all cases of creation:

- the skill levels of workers are high;
- the capital intensity of activity is relatively weak, because of the financial means that cooperative promoters have at their disposal. Though there are some exceptions on the level of conversions and transformations;
- enterprises created are not founded on a product or product idea, but on a savoir-faire. The work factor in general is predominant.

From a geographical perspective, the most numerous creations take place in areas where worker cooperatives are already well established the Parisian region, the South East and the West. Where there is already strong establishment, potential starters are supported both politically and technically.

It is necessary to observe that there is a rather high 'infant mortality' rate among worker cooperatives. Of the 552 worker cooperatives created during 1978-79 period, only 452 were still active in 1982, that is a loss of 70 enterprises, some 13% This figure is in regression due to the efforts of counselling and assistance developed by the General Confederation of Worker Cooperatives.

#### ANALYSIS OF TYPES OF CREATIONS

#### Creations ex-nihilo

This type of creation concerns groups of individuals, 'intellectuals' or not, who get together to unite their various competences and exercise an activity within a juridicial

framework different from the traditional company framework. Their motivations are to live in a work environment that is more acceptable, less hierarchical, more egalitarian, more participatory and with different human relations. The problems that the group must confront in order to create a cooperative are the same as those for anyone setting up a business — except they do not do it alone: putting together an enterprise plan, writing, the statute, legal formalities, collecting finance, problems of locales, materials, obtaining first orders.

The Confederation of Worker Cooperatives lends its assistance during the different phases of the project, above all on the level of the enterprise plan, writing appropriate statutes and with the legal formalities. Through the Cooperative Expansion Fund, it can even loan money without guarantee, if the project is judged credible, for an equivalent sum to what the cooperators can furnish themselves.

Of the problems encountered by candidate cooperators, the financial problem is the greatest. In reality, the financial means that a little group of cooperators can put together is relatively small, which necessarily confines cooperatives to being service enterprises or ones with low capital intensity.

French bankers, even cooperatives ones, have strong reservations about lending to start-up enterprises if they lend to them at all. Very often they demand property guarantees, mortgages or such, that cooperators are not able to provide.

## Take-over of enterprises in difficulty

Since 1974, many enterprises having failed have thought of totally or partially resuming activity as cooperatives (Lip, Manuest, Teppaz, Triton, Griffet). The conflicts which these failures have given rise to have contributed in some way to making the cooperative formula known through the news media, but they have given it a somewhat negative image.

To convert successfully into a cooperative the following conditions must be met:

- the faltering enterprise must be in a relatively viable market;
- the productive apparatus must be valid;
- the personnel, or at least the leading core of it, must have the motivation to take on the responsibility for the activity of the enterprise;
- some financial means must be collected together to purchase the old enterprise, or what remains of it and to launch the new cooperative;

- competent officers to take over the management function of the cooperative must be found;
- finally an agreement with the receiver for the purchase of the enterprise must be reached.

In this sort of affair, it is often the personnel, usually via local enterprise committees or unions, who alert the Confederation. It is sometimes a member of a local council, or such. The Confederation, or an advisory group, then makes a diagnosis of the enterprise's situation and establishes a contingency plan for the launching of the future cooperative.

The personnel and the unions (CGT, CFDT) are not a priori favourable to the cooperative solution. In general they only accept it when all other solutions have failed. This is explained by the attitude of French unions which hesitate to take on responsibilities in the 'capitalist' economic system and are mistrustful in situations where the former bosses have failed. Lastly the personnel is confronted with painful choices, for example, to retain only some of the retrenched personnel.

It is equally difficult for the personnel to raise the necessary funds for the purchase of the old business and the launching of the new cooperative. The financial problems are generally resolved in the following way:

- the staff put their severence pay back into the cooperative as initial capital. In addition, it can call on external and non-salaried shareholders;
- in some cases it is financially aided by the cooperative movement which gives the cooperative a seven year loan from the funds of the Cooperative Expansion Fund. These loans without any guarantee, are in all cases equal or less than the amounts raised by the personnel;
- the public authorities often provide, if the conversion project is credible, either grants in the form of regional development premiums based on the number of jobs created and the size of the investment, or long term loans from the Economic and Social Development Fund;
- local authorities can, since the law of July 1978 was enacted, make grants to worker cooperatives. Some local authorities have used this power to assist the launching of some enterprises (eg. Pratic in the Drome);
- cooperative banks (Caisse Centrale de Credit Cooperatif, Banque Francaise de Credit Cooperatif or the Banque des Cooperatives de Consommation) or other banks provide medium term loans.

The greatest difficulty in raising finance remains in finding

property guarantees to provide bankers. The assets of the enterprise are generally insufficient at the beginning to guarantee the necessary loans. This problem of guarantee is sometimes resolved with the aid of local authorities (town council, departmental council...) which offer their security.

At the same time, the new cooperative must find itself a competent management team, taking the brief in hand, negotiating with the various parties. In the case of small cooperatives, the potential management may be found within the enterprise; in the case of larger businesses, it is often necessary to look farther afield.

Lastly, once the various conditions for starting up have been met, it is necessary to reach agreement with the receiver for the purchase of the enterprise or what remains of it. In the majority of cases the dialogue with the receiver is relatively difficult because the cooperative formula is often not well known to them.

Taking account of all these difficulties that have to be overcome 'on the run', and as rapidly as possible so that the enterprise's market does not disappear, one can imagine the number of failures in this type of creation and the enormous energy that is necessary to achieve an effective creation. For all these reasons, the Confederation of Worker Cooperatives has become very circumspect vis-a-vis this type of creation.

## Transformation of traditional companies (SARL, SA)

A number of local small and medium businesses in good health have problems, after the departure of the owner/manager, of assuring their survival. In effect, these enterprises, often located in the service sector or in building and active in a limited geographic area, are not of prime interest to larger groups. Moreover the owners' successors (children, etc) do not always wish to accept their 'succession' to the enterprise. Some owners find a longterm solution in the worker cooperative formula. Their motives can be diverse; in some cases they are purely economic (to provide a solution for them leaving their enterprise), in others they have sympathy for the ideology of In this type of creation, the transformation self-management. always emanates from the owner. He then brings in some of the personnel who in the first instance are usually noncommittal.

From the perspective of the financial organization, the transformaion is made possible if the enterprise is the beneficiary, through the application of the law on the participation of the employees in the fruits of growth, over a period of five to ten years. This permits the owner to 'sell' his enterprise to the employees over a period of five to ten years, without the employees having to pay out a large sum at the beginning. Explained another way and without entering into financial details, the variability of capital permits the owner

to withdraw progressively from the capital of the enterprise and for the employees to replace him.

The only difficulty with the practical application of this is that, during the changeover period of five to ten years, the owner is not guaranteed of recuperating the accumulated value of his enterprise if, for example, in this period the enterprise falters. To lessen this risk, the former owners often remain as directors during the changeover period.

#### 5. Worker Cooperatives and Their Environment

## Structure of the Worker Cooperative Movement

The Confederation of Worker Cooperatives (Confederation Generale des SCOP) is the only representative organization for worker cooperatives in France - which is an important difference with Italy for instance. Adhesion to the Confederation is not compulsory and the Confederation does not represent all exisitng cooperatives. Its objects are:

- to diffuse the principle of worker cooperation:
- to give advice to member cooperatives in the legal, economic and social areas;
- to ensure the training of cooperators;
- to represent and defend member cooperatives. The Confedration organizes worker cooperatives geographically and professionally.
- \* Geographically, all member cooperatives are part of a regional union for the region where their head office is located. There are eleven regional unions, which does correspond to the official regional divisions but was obliged by the extreme unevenness of cooperative distribution. This lack of coincidence between official and cooperative regions does pose some problems.

The regional unions are the organs of political organization and representation of worker cooperatives in the regions and participate in the regional groupings of the wider cooperative movement. The Confederation ensures that these unions have the necessary means to finance the regional bodies encharged with assistance, training, etc...

\* On the professional level, the worker cooperatives are organized into a powerful Cooperative Federation for Building and Public Works (Federation du Batiment et Travaux publics) which cover 40% of worker cooperatives (November 1979) and a 'Federation du livre' which covers all the cooperatives in printing and graphic arts. Outside of these two professional sectors where worker cooperatives are numerous, there is no professional representation. In clothing and the metal industry, worker cooperatives have set-up groups for information and exchange on the commercial and technical level. Elsewhere the worker cooperatives are isolated and have no professional support.

The Confederation has a traditional organizational structure with bodies at various levels starting with a national congress.

The resources are maintained through fees paid by member societies pro rata with their turnover. This fee is currently 3%, of which 2% covers the expenses of the Confederation and 1% is contributed to the Confederal Expansion Fund (FEC) managed by a distinct society (SOCODEN) and which has the task of intervention in the capital formation of first order cooperatives through financing either new cooperatives or the development plans of older cooperatives.

With the expansion of worker cooperatives, the Confederation has developed its technical and service support function, in particular with the establishment in 1975 of the regional bodies. These bodies ensure that cooperatives are assisted in the areas of management, financing, business analysis, especially at the time of management changes. Amongst the problems posed in cases of new cooperatives, it has been found that the existence of available managers has been one of the most difficult to resolve. This is why, with the support of the Delegation to the Social Economy, the Confederation has set up a team of 'dirigeants-relais' (relief managers), who manage newly created cooperatives which have not found a permanent management.

The Confederation accompanies cooperators during the launching phase of the project. At the regional or national level, it receives potential starters, studies with them their projects and helps them step by step in its realization: the elaboration of the enterprise plan, legal establishment, search for finance, negotiations with different partners (local authorities, receivers, etc...). If the size of the project justifies it (notably in the case of large projects for the conversion of enterprises in difficulty), the Confederation can call on the support of external teams of consultants.

The Confederation's number of contacts with future starters is very high, in the order of 1000 a year: half of them simply requesting information, 13% ending with the successful creation of a cooperative. In addition, on the level of the development and creation of new cooperatives, the Confederation has provided information vis-a-vis bodies auspising new enterprises (chambers of commerce, regional economic expansion committees, notaries, official managers, business valuers, etc...) as well as public authorities in order to modify existing legislation on the following points:

- legal and fiscal problems tied to the transformation of enterprises into worker cooperatives;
- regulations on assistance to unemployed persons establishing worker cooperatives;
- seeking public finance for creating worker cooperatives (at the national or local level).

The time dedicated to the creation of new cooperatives represents around 25% of total time expended, the equivalent of eight to ten full-time persons.

Finally, the Confederation has a brief for the training of cooperators, cooperative officers and managers. The components of this are both generally on business management and specifically on cooperative management. Training constitutes, in effect, one of the central points of cooperative success. Democracy in the enterprise rests on the collective appropriation of the tools of management and through the circulation of information.

To fulfil these different missions, the Confederation of Worker Cooperatives receives grants from the Delegation on Employment, the Delegation on the Social Economy and the National Employment Fund which allows it to finance 'feasibility' studies of worker cooperative projects, a group of relief managers (dirigeants relais), control and expertise missions for existing cooperatives and training courses.

#### SITUATION OF INTERCOOPERATION

The problem of intercooperation (cooperation between cooperatives) is that of collaboration between cooperatives and between sectors of activity which contain cooperatives in the search for a new equilibrium between producers and consumers. Carried to extremes the ideal of intercooperation may open out into a universal model of society (cooperation or cooperativism) which may 'enter into competition' with other models - liberal capitalism, socialism. In France, cooperative development is carried out essentially through sectors of activity (agriculture, consumption, fishing, production) and intercooperation has never been a reality and remains embryonic. There are and have been attempts at intercooperation isolated in different areas: political, cultural, social, economic, international.

## Political Intercooperation

This concerns the actions brought by sectoral cooperative institutions to create federal or confederal groupings acting together in regard to public authorities. Political intercooperation is realized in France by two institutions:

- one is purely cooperative, the 'Groupement national de la Cooperation'; created in 1968, it has the task of being the political organism of intercooperation; it covers all the French cooperative movements representaive of the various sectors of agriculture, consumers, credit, housing, fishing, production, artisan; its mission is to be a point of harmonization and promotion of the cooperative idea, a focus for common action;
- the other institution is mixed and works in liaison with public authorities: that is the Higher Cooperative Council ('Conseil superieur de la cooperation').

If political intercooperation has some reality, on balance its actions remain very limited for two essential reasons: the cooperative organizations have not really known how to unite on a common cooperative project. It has neither the means nor the structures permitting real efficacy (a single permanent person for the GNC, a very limited budget).

## Cultural Intercooperation

This is carrying out a common policy of information and training so that cooperative members can acquire the cultural baggage as well as the fundamental cooperative principles ('the cooperative spirit'). The two instruments of this cultural intercooperation are the 'Institut Français de Cooperation' (French Cooperative Institute) and the Cooperative College. The IFC, created in 1971, covers the same movements as the GNC; its task is to carry out studies in order to encourage the development of cooperative principles. To this end, the IFC has set up working parties and publishes the 'Revue des etudes cooperatives' which has existed since 1921. The Cooperative College ensures the liaison with academics on one hand and with developing countries on the other. The College receives 150 students per year and awards degrees and diplomas. On balance cultural intercooperation is varied but relatively weak; training and information are expensive and do not provide an immediate 'return'. As well, each cooperative sector has endowed itself over the years with its own means of information and training (sectoral press) and fears to be dispossessed of its prerogatives.

## Social Intercooperation

This is founded on the definition and realization of a common social policy for cooperative enterprises. It no longer exists in practice today. Thus the 'cooperative social audit' established by the worker cooperatives is unique to it and has not been taken up by other cooperative sectors.

#### Economic Intercooperation

This concerns the direct economic relations between cooperatives. These relations have for a long time united agricultural and consumer cooperatives. Other tentatives have been developed: worker - housing cooperatives, maritime - consumer cooperatives, that is essentially bilateral relations. Multilateral experiments (eg: worker - building - housing - credit cooperatives) and internal expepriments (eg: agreements between several agricultural cooperatives) remain rather rare. These experiments in economic intercooperation have been subjected to heavy constraints: producer - consumer relations are often conflictual and there is the law of competition. It is not unknown, within the same sector of activity, for two or more cooperatives to engage in savage competition.

## International Intercooperation

This brings together cooperative partners belonging to different countries and economic systems. The International Cooperative Alliance (ICA) has existed since 1895 and today covers 165 oganizations in 65 countries. Consumer cooperatives are the most numerous, followed by credit, agricultural, etc. The ICA boasts 326 million individual cooperators. It has created auxiliary committees and consultative bodies. Its head office is in London. Though the ICA has ties with international bodies such as UNESCO, it remains nevertheless without great power and the number of 'cooperators' that it represents is of no great significance.

Intercooperation such as it appears from the analysis of these different sectors is still rather weak and intercooperation has not had the development it might have hoped for. The reasons may be internal to the cooperative movement (tradition of sectors of activity, weight of sectorial institutions already established, lack of political will, insufficient means) or external (contradictory or disparate legislation, law of competition, producer-consumer contradiction, resistance of public authorities, etc.).

## Role of the Banking Sector

The role of the banking sector in the financing of worker cooperatives constitutes an important point, when one takes account of the difficulties (already discussed) for worker cooperatives to find funds. This role can be envisaged in different ways according to whether it is a matter of financing the creation of a worker cooperative or providing additional credit for an existing enterprise.

## Finance for Creating a Worker Cooperative

In the case of financing the creation of a worker cooperative, the traditional banking sector (i.e.: non-cooperative) never gets involved in practice in either the basic capital nor in the long term debts of an enterprise. The explanation for this is found as was already mentioned, in that worker cooperatives do not return a dividend and do not therefore interest bankers. Banking establishments which are involved in financing the creation of worker cooperatives are of three orders:

- some public establishments such as the FDES (Economic and Social Development Fund) or 'Credit National' (National Credit), which apply different criteria to those of traditional banks. Up until now, the Regional Development Societies have had little involvement in these operations.

- cooperative credit, that is the 'Caisse Centrale de Credit Cooperatif', specializing in medium- and long-term loans, the French Cooperative Credit Bank, subsidiary of the 'Caisse Centrale' which is involved in short-term loans and the Cooperative and Mutual Central Bank. These banks are small, have few branches and consequently few deposits, and therefore have limited financial credit. They are quite often involved in the creation of worker cooperatives.
- the Confederal Expansion Fund (FEC) is a structure which collects funds from the fees paid by worker cooperatives to the Confederation and which is involved to the limits of its capabilities in the launching of new cooperatives and development plans for older cooperatives.

## Financing of Exisiting Cooperatives

This is posed in different terms in so far as the credits provided by banks can be guaranteed. The involvement of ordinary banks is the same as with any other enterprise, according to the classic criteria of returns: as long as the situation of the cooperative is healthy, there is no problem. If the situation takes a downturn, the ordinary banks withdraw and leave their place to cooperative credit. In these cases, the institutions cooperative credit banks become involved in support a worker cooperative in difficulty on one principal condition: that the worker cooperative has the support of the movement to which it belongs, essentially the Confederation, which lends it moral, technical, even financial support and which guarantees the seriousness of the operation.

#### WORKER COOPERATIVES AND PUBLIC AUTHORITIES

#### Before 1981

The election of M. Francois Mitterand to the Presidency of the Republic and the presence of a socialist majority in the National Assembly has changed the political context in a direction more favourable to cooperatives and more generally to the enterprises making up the social economy. Previously, the attitude of former governments in regard to the cooperative movement was marked by neutrality, having changed from, during an earlier phase of its history, an open hostility.

Over the last few years, the small interest that there was in regard to cooperative life was manifested, for example, in the functioning of the Higher Cooperation Council: composed of representatives of the government, the parliament and the cooperative movement, it was chaired by the Prime Minister. In reality, this council had a very limited purely honorific, role consisting of uttering opinions on a few relevant bills. Cooperation as an economic and social project played little part in the universe of neo-liberal politics. However, there were some

positive elements, such as the access to the public market and the possibility of local authority involvement.

#### Worker Cooperatives and the Public Market

A regulation of 1931 provide that when tenders are called, and there are equal offers, a preference is accorded to the tender by a worker cooperative; and, wherever possible, works, services or supplies are divided into lots and the administration (State, local authority, public enterprises) must allocate at the average price a quarter of the lots to worker cooperatives.

wide perspectives This regulation opened up cooperative activity, but it is necessary not to exaggerate its Firstly, in order to benefit from these tenders the importance. worker cooperative must be included on a list published annually by the Ministry of Labour. As a result, administrations only favouring partially apply to the regulations worker they do not recourse to tendering cooperatives: either procedures but to one to one contracts, which exclude worker cooperatives, or it is impossible to divide up the contracts into distinct lots or there are no sufficiently large worker cooperatives in the region. For worker cooperatives, the allocation of the contract at the average price may prove dangerous for the financial equilibrium of the operation, and it often happens that the worker cooperative prefers to refuse the contract.

## Worker Cooperatives and Local Authorities

The second element motivating public authorities in favour of worker cooperatives is in the law of July 1978: this law local authorities (municipality, department, for region) to become involved in funding worker cooperatives, in the form of direct grants. This measure may seem extreme in the general regulation which prohibits local relation financial involvement authorities any direct in funding The theoretical justification of this arrangement is business. the fact the net active capital of cooperative societies, absorbed into the reserves, is considered indivisible, and in the case of winding up, no individual can appropriate it.

This solution of direct funding authorized by the law has essentially been used by local authorities to assist enterprises in difficulty to reorganize themselves as cooperatives. For example, the Drome Departmental Council purchased in 1977 a shoe business and handed it over to a worker cooperative formed by the personnel, allocating them a subvention of 300,000 francs (\$A 41,000). In 1980 the regional public authority for Brittany made a grant of 100,000 francs (\$13,700) to the worker cooperative regional union to carry out some studies.

This possibility for local authorities to provide grants to

worker cooperatives or their unions has up till now been little Where it has been, it has been through a policy of defending jobs, when there is no other solution for an enterprise in difficulty. There appears to be some changes of attitude in this area. On one hand local representatives are and more being confronted with the problem of employment are beginning to interest themselves in worker cooperatives as a possibility for creating small enterprises which generate and are well implanted into the local economic fabric. On other hand, the law on decentralization increases the power economic involvement by local authorities. The Confederation looking forward to local authorities financing studies prior the creation of new worker cooperatives and then supporting over one or two years at least to ensure them the maximum chance of success. The Confederation is hopeful that some municipal services may be constituted as worker cooperatives, in place of present legal statutes (of an administrative type), for some services: urban transport, rubbish collection, etc.

## Since May 1981

M. Mitterand, while still a candidate in the presidential elections, had announced during his electoral campaign that there would be an active policy on the economy where profit was not the only philosophy. When elected president of the Republic, this sector was made the responsibility of the "Ministre du Plan et de L'Amenagement du territoire", encharged with proposing all measures concerning cooperation and mutuality and with the presidency the Higher Cooperation Council. The fact that all cooperatives (worker, consumer, agricultural, housing, fishing ...), mutual societies and associations have been placed under the responsibility of a single ministry has shown a desire to consider these very diverse structures as a third sector of the economy alongside private enterprise and the public sector.

The role that the Social Economy can play has been defined by the Minister for the Plan (M. Rocard):

- " ... to contribute to the search for full employment by the creation of new jobs based on local initiative and collective utility;
- to improve the entry of manpower presently excluded from the labour market or confined to marginal employment;
- to bring out so far unexpressed needs or satisfy previously uncovered needs;
- to encourage new types of work relations, more 'convivial' and self-managed;
- to modify relations between producers and consumers."

## Short-term (two years) objectives

The development of the Social Economy, for the first time in the history of French Planning, has been one of the two structural reforms included in the interim plan for 1982-83, along with the announced expansion of the public sector.

For the first two years, the objectives outlined are the following:

- to modify the statute covering cooperatives and mutualities to allow the involvement of all participating parties, including employees, in management;
- to transform the system of funding through the involvement of the financial organisms of the Social Economy and putting in place a system of specific guarantee;
- to modify the conduct of the State in regard to these enterprises concerning public contracts, opening new commercial credits, improved loans and privileged access to finance;
- create regional organisms of the Social Economy which would be analogous to the regional enterprise institutes;
- to place at the disposition of the movement a ministerial body, as a point of harmonization and motivation: the Interministerial Delegation on the Social Economy.

#### Medium-Term Objectives

Beyond the biennium, three principal axes have the attention of the Government to provide a new statute for the Social Economy, to encourage intercooperation, to introduce the principles of the Social Economy into the education system. These axes will give rise to the following initiatives:

- definition of a new enterprise statute: 'societies of associated workers';
- the creation of cooperative unions, an intermediate stage between individual cooperatives and public authorities, ensuring the preparation and signing of contracts between the State and the cooperative sector;
- establishment of new modalities in the relations between users and employees in cooperative and mutual cocieties;
- creation of cooperative 'circuits' linking production, distribution, credit, oriented to the reconquest of the internal market;

- participation of the Social Economy in co-development with the Third World;
- establishment of new forms of mutualization within social and health institutions, etc.

#### The Delegation on the Social Economy

A decree of 15 December 1981 created under the Prime Minister a 'Delegation on the Social Economy' which was placed at the disposition of the Minister for the Plan. Article 3 defines its task: "The Delegation has as its mission to aid the development of cooperative and mutual societies, as well as associations whose productive activities assimilate them with these organisms ... It is to play a role of harmonization, of coordination and of motivation in these sectors. It exercises its activities in liaison with the ministerial departments concerned. It will act as the secretariat of the Higher Cooperation Council."

This Delegation aims to respond to the demands of the organizations concerned that want cooperatives, and associations to have a public inerlocutor to study their proposals, their demands and establish links with all the relevant ministries. This is the reason why the Delegation is interministerial: in addition to Ministry for the Plan, to which it is attached, the Ministries of Agriculture, Consumption, the Economy, Leisure Time and National Solidarity.

Of the 7.8 million franc (\$A 1.1m) budget in 1982, the main part served to finance an group of relief managers [dirigeantsrelais] placed at the disposal of worker cooperatives to realize plans for modernization, provide expertise and carry out studies prior to new creations. This budget illustrates the priorities determined by the Delegation to privilege worker cooperatives, for it is they that will create and maintain most jobs. The means are therefore concentrated on worker cooperatives and most particularly on the Confederation of Worker Cooperatives. This situation of exclusivity is not without risk. While the first axis for realization has been support for the creation of worker cooperatives, the second axis has been the preparation of legislative reforms; five bills (vide infra) have been adopted and others are in preparation, notably for the financing of the Social Economy.

Lastly the third axis has been liaison between all the movements. This liaison must take place above all within the Consultative Committee of the Social Economy, created by the same decree of the 15th of December 1981, and whose membership is designated by decree of the Prime Minister. This Committee is chaired by the Minister of the Plan (M. Michel Rocard). It is made up of thirty members representing the movements of the social economy as well as a member of the 'Social and Economic Council', a representative of the Parliament, and a regional council president. The role of the consultative committee is to

associate the movements with the actions of the Delegation. The committee has already taken up a number of issues concerning 'cooperable' technological innovations, the financing of the Social Economy, information and training, management associations, mutual insurance, relations with developing countries.

Otherwise, liaison takes place via two institutions:

- the Higher Cooperation Council, to which the Delegation acts as secretariat; the bureau of this council meets every two months with the ministers concerned. Its role and its functions have not for the moment been modified; to provide opinions on all proposals emanating from the cooperative sectors, from the National Cooperative Grouping and from the Delegation. The future will tell if this institution can play a more dynamic role that it has in the past;
- the Higher Mutual Council, which depends on the Ministers for Social Affairs and Solidarity and Labour in particular for the reform of the mutuality code.

Lastly, alongside these institutions under the control of public authorities, there are two other structures for the liaison between the various components of the social economy:

- the National Committee for the Liaison of Mutual, Cooperative and Associative Activities (CNLAMCA), created in 1970 and covering the representative federations of the movements. The criteria determined for the adherent enterprises were: open membership, democratic management, not having profit as the only object, independence vis-a-vis the State. This Committee has tried to spread and promote the social economy and was the origin of the creation of:
- the Social Economy Foundation (FONDES) Created in 1981, the FONDES aims to improve the information base of the social economy, carry out studies on education, employment, the regions and support projects for the creation or maintenance of enterprises.

The questions raised by the links between the different sectors of the social economy and the public authorities are of two orders:

- Can the different organisms constituting the social economy sector overcome the corporatisms, the narrow quarrels and give birth to a credible project, a mobilizer and bearer of the future?
- Must the public authorities rely on the 'notables' of the various movements who are at times more concerned about conserving than innovating and who in general prefer their clientele?

#### The Legislative Programme

The Minister of the Plan presented to the Cabinet in June 1982 five bills aimed at harmonizing and enlarging the juridical statutes of the various sectors of the social economy. The fiscal measures accompanying these bills will appear in the 1983 budget. The main lines of reform are as follows:

- important bill concerns the unions of cooperative The most and is the result of a modification of two societies articles in the general statute for cooperation. stipulates that these unions may admit as members 'any person or legal entity in agreement with their objects'. This opens to mutual societies and associations the possibility of common activities with cooperatives and, within certain limits (1/4 of the votes), the possibility of calling on private means. This responds to needs expressed the sectors of tourism, health and social action and The future will tell if these unions will be a training. dynamic factor in the social economy. It may be noted that a part of the vigor of the Italian cooperative movement arises from the 'consorzi' which are just such collections of cooperatives.
- A second important and original bill, comprising 32 articles, creates a specific statute for artisan cooperatives. This new statute to cover groupings of family enterprises should prove more efficient than present grouping of economic interest and more appropriate than worker cooperative regulations. The artisinal cooperative essentially permits enterprises to combine a part of their activities, some purchasing, sales or service functions with the aim of improving their competitiveness and their turnovers. The statute is based on three preocupations; to provide a legal framework, to encourage incorporation, to provide these cooperatives with financial means. While some elements of private companies are found there, the cooperative philosophy remains marked by the principles: 1 person = 1 vote, open membership, indivisability of assets.
- A bill which aims at bringing up to date and harmonizing acts covering maritime cooperatives and credit societies which date back to 1913.
- In regard to rental housing cooperatives (cooperatives d'habitation a loyer modere HLM), the bill modifies several articles in the building and housing code; it simplifies the regulations governing the transition of rental cooperatives and those permitting mergers; it widens the powers and possibilities of involvement on the part of HLM cooperatives (construction, acquisition, improvement, management of housing, service provision).
- the maximum level of interest returnable on share capital in cooperatives had been fixed at 6% in 1947. This reduced

level was one of the obstacles to cooperatives raising capital especially when compared to the levels available on the market. The new law lifts this rate to 8.5% (= rate of interest on 'A' accounts in savings banks).

#### Decentralization and the Cooperative Movement

Decentralization was, together with nationalization, one of the two reforms which the new government placed most emphasis. The State has developed some of its powers to territorial authorities, notably in the matter of economic and social intervention and, correspondingly, the executive function of territorial not carried out by an appointee but by elected authorities is officers. Further, decentralization is accompanied by a new division of tasks between the department and the regions. It is that the local cooperative movements find their level interlocutors. Devolution is of double interest to the social economy; on one hand, because it increases the capacity if authorities to create or to help enterprises; on the other, because by regionalizing power, the movements of the Social Economy are encouraged to strengthen their regional dimension.

#### Increased Capacity for Involvement of Local Authorities

This is not specific to the Social Economy. In the case of worker cooperatives, local authorities (municipalities, departments, regions) can make grants to worker cooperatives, Thus now if the authorities desire to, they can place accrued funds with enterprises in general, and with those of the social economy in particular.

\* Assistance for the creation and extension of enterprises; this assistance can be direct as well as indirect. Direct assistance is provided by the region in the form of regional bonuses for enterprises creation, regional bonuses for employment, allowance for interest, loans and advances on more favorable terms than generally available. They can be effected, within a certain ceiling not yet fixed, by the department or the municipality.

Indirect assistance, such as it is, is free, it being clearly specified that the resale or renting of property by local authorities must accord with market peices, though the possibility of deductions will be introduced by a bill presently in preparation.

\* Assistance to enterprises in difficulty; providing an agreement is reached between the authority involved and the enterprise in difficulty, this assistance, both direct and indirect, can be provided more flexibly than assistance for creation and expansion.

The State has devolved certain types of involvement to local

authorities. It has nevertheless retained some instruments, such as assistance for the creation of jobs on local initiative (EIL = 36,000F [\$A 5,000] per job created, 15,000 jobs allocated in the budget) or assistance to unemployed persons who set up enterprises.

# Regionalization of Relations between Public Authorities and the Cooperative Movements

Decentralization should lead to the devlopment of relations at the regional level.

Two institutions should be able to play a role in this; the regional, social and economic councils where the social economy is represented and makes its voice heard; the regional groupings of cooperative and mutual societies (GRCM) which would be the privileged interlocutors with public authorities and would encourage the development of the social economy.

Regionalization represents a chance of development for the enterprises of the social economy which, owing to the nature of their capital, their system of management, and their ties with their environment are well adapted to the conditions of regional economic development and, in particular, to caring about living and working in the country. However, regionalization can present certain risks, slowing social innovation, for example, as local elected representatives, more sensitive to pressures of the local electorate, are not necessarily the greatest supporters of innovative experiments on the economic, technological or social level. The new types of enterprise, brought together at Nancy by the review 'Autrement' have drawn attention to the risk of some conservatism from "local notables".

#### Financing of the Social Economy

This is one of the major obstacles facing the enterprises of the Social Economy, which experience particular difficulties in finding their own funding on the capital market. The interim plan emphasizes the necessity to release the means of finance and therefore to jump the legal obstacles or set better mechanisms in motion.

An initial measure consists, in the bill mentioned above, of lifting to 8.5% the remuneration rate on the share capital belongs to cooperatives. Other measures include studying mechanisms for the revaluation of capital, presently blocked at its initial nominal value.

A cooperative banking law was adopted in March 1982 which excludes from nationalization banks a majority of whose capital belongs to cooperative or mutual societies and who lend half their funds to their shareholders or members. Nevertheless, a commissioner from the Ministry of the Economy and Finance has a seat on the Board of Directors and can veto certain decisions.

The financing project of the social economy requires the establishment of financial circuits that do not lock the social economy into a ghetto but on the contrary open the possibilities of the mutualization of resources in respect to its own funds. Five new instruments have been studied by the Delegation on the Social Economy:

- \* Participatory title: in order to facilitate the strengthening of proper funds for enterprises of the social economy without weakening the principle one person = one vote, it is necessary to create a type of stock specific to the social economy: a participatory title not giving the right to participate in general meetings, yet remunerated. This title would permit a call on savings. It would be a 'basic tool'.
- \* Social Economy Development Societies (SDES): this would be able to provide a common statute and [offer] the present development funds created by the movements (SOCODEN, FEC for worker cooperative Confederation, UFICECOM for maritime cooperatives, FINEX for commercial cooperatives, the Development Society of the Cooperative Institute for HLM cooperatives...) Their statute would authorize them to make participatory loans, to guarantee participatory loans or endowments, to make participatory endowments; each SDES would be free to utilize some or all of these possibilities.
- \* Social Economy Investment Societies:
- \* Social Economy Common Placement Funds: these would, through societies or funds, call on savers, including individuals, to mobilize saving in the direction of participatory titles in the Social Economy. These instruments would be particularly useful in channeling the savings of those savers active in the social economy at the local or regional level wishing to assist their department or region in its development.

#### The Public Sector and the Social Economy

It is necessary to define what sort of meeting points must be established between the enlarged public sector and the social economy. Worker cooperatives in particular have an interest in establishing new relations with the public sector which could promote their development. From this point three actions must be undertaken:

- improvement of the public contracts code; an initial modification has been made (not yet published) which should allow dialogue with nationalized enterprises;
- a seeking of new relations of sub-contracting between large public groups and worker cooperatives: it is known that enterprises such as Renault have networks of 'PMI' (small

businesses). They could also set up specific sub-contracts with worker cooperatives;

- transform into worker cooperatives the subsidiaries of nationalized enterprises which would otherwise be yielded to the private sector.

#### 6. Strengths and Weaknesses of Worker Cooperatives

Given the absence of sufficiently subtle instruments of measurement and analysis, it is difficult to tell if worker cooperatives, compared to capitalist businessess of an equivalent turnover, perform economically and socially better or worse. The situations are diverse: there are worker cooperatives which run better than comparable capitalist ones and, on the other hand, there are some so-called capitalist businesses that have better functioning and social relations than some worker cooperatives.

However, if one were to sketch a sort of average profile of worker cooperatives, it can be said that the social side of the enterprise has always been a major preoccupation of worker cooperatives. The cooperative social balance-sheet has existed for fifteen years in worker cooperatives, although its introduction is recent in enterprises of more than 3000 persons. In a general way, the inequalities between employees have a tendency to be less in cooperatives. The salary discrepancies are less than in traditional businessees: 1:5 as against 1:15 often found in capitalist businesses.

Some inquiries carried out in cooperatives have shown that, in worker cooperatives, the workers generally feel more involved than in classic companies, and that their level of information, of particiption, and responsibility is higher. In any case, it is necessary to take account of what has been said of the characteristics of worker cooperation; the population (in the statistical sense) of cooperators has a higher level of professional skill and of political consciousness, which facilitates from the beginning the learning of democratic practices and management training.

But it is also certain that the external constraints imposed by the fate of their product in the market and the internal weight of the exercise of power have not always permitted worker cooperatives to maintain the integrity of the cooperative idea, and some difficulties remain. What are they?

\* One difficulty is to bring all employees into membership. It has been noted that the level of membership in relation to the total personnel was 58% in 1982. Put another way, in a cooperative of around 100 persons, there are still 42 workers who are simple employees with a normal work contract. But this average figure masks important sectorial differences; the membership level is 42% in building, 60% in material services, 72% in metal industries, 75% in intellectual services, 79% in printing, publishing and graphic arts and 84% in carpentery and upholstery. Thus the building industry, where there are numerous seasonal workers and a high turnover, draws the average down. It should be noted that this relation between members and employees has

tended to improve as the rate of membership rose from 45% in 1978 to 52% in 1980 and to 58% in 1982, largely because of measures taken in 1978 to raise this level. The lower the rate of membership, the more a worker cooperative resembles an ordinary business.

One difficulty is to question the scientific organization of imposed by the surrounding economic system. Worker cooperatives at times simply reproduce the traditional organizational schemes. One survey carried out in 1977 in five worker cooperatives by the CEREBE demonstrated the very traditional character of the work organization, compensated familiar interpersonal relations. In small cooperatives notably intellectual services marked by the spirit of '68, there have been attempts to overcome the division of labour through job rotation. These experiments have not always been easy, in particular for the work of the secretariat and management. Daniele Demoustier shows how such attempts can result in set-backs, as is exampled in a cooperative of architects where the division of productive (architectural projects) and non-productive tasks accounting) (administration, was not overcome. separation often coincides with a division of labour between men and women. While it may be easy to experiment with the organization of work in cooperatives that might be classified as higher tertiary, with a very high level of in a majority of cooperators (engineers, architects, lawyers, etc), things become much more complicated in industrial enterprises with serial production. There the imperatives of productivity weigh heavily, to say nothing of acquired habits. At Lip, as at Manuest, some workers have their disquiet with the introduction of new demonstrated their desire to find a sense of security in the hierarchical organization of the patronal enterprise. The division of labour can arise out of growth. R. Sainsaulieu shows the consequences of a very rapid development on the work organization and cooperative life in a building cooperative. Initially, it was a team of companions very close to one another whose activity was artisanal or semi-artisanal (heating and plumbing). Then the activity separated into two parts. Alongside artisanal activity based around small building yards, the development of large yards involved line production of prefabrications where the work parcelled and the tasks essentially repetitive. This difference in work throws into question the previous systems relations. The system dominated by mutual aid, the possibility of artisanal apprenticeships is transformed by the development of large yards: hierarchy weighs heavily, possibilities for apprenticeships are reduced, joining cooperative is done more to protect oneself than to the develop new capacities.

\* The problem of power often besets cooperatives: either the authority of the founder is not successfully transformed into divisions of responsibilities, or the growth of the

enterprise requires a de facto takeover of power by the technicians, non-elected managers, or the general meetings are empty shells and the officers act without control. These are some examples of the 'deviations' of the democratic model of workers in making decisions becomes more difficult. The information needing to be mastered becomes more complex, even the operating procedures (meetings...) with the risk of turning into a cooperative bureaucracy, where decisions are not taken. In many cooperatives born from the conversion of faltering enterprises, the administration has disappeared. The workers collectively cannot improvise from one day to the next in financial or commercial areas. While the cooperative may enlist new staff, as was the case in the creation of the Manuest cooperative, it must successfully integrete them into the collective.

Lastly, on the economic plane, worker cooperatives encounter a number of obstacles. Generally speaking, the competence of cooperators in the commercial and managerial areas is rather Worker cooperatives are more worried about production than sales and adapt slowly to changes in the market. Here the historic dimension οf demonstrated cooperation, which tradesmen formed. Today, it is necessary show proof of imagination, innovation and dynamism in sell. Often a group made up of competent professionals which founded the cooperative finds it difficult to take on outside persons with a different approach. AOIP has been faced with the difficulty of adapting and diversifying its production.

Worker cooperatives are at times vulnerable on the financial level, in particular when they have just started. Bankers, even cooperative ones, most often demand property guarantees for loans accorded, which reduces the number of possible creations. In the case of the reanimation of failing enterprises, the creations often run against difficulties due to the workers not finding the necessary financial resources for developing plans or setting up a cooperative project. In these cases, the time factor is crucial for the chances of ultimate success, for the enterprise could lose its share of the market. In other cases, the financial difficulties can arise from the fact that the cooperators prefer an immediate distribution of surplus, rather than allocating them to the reserve which would strengthen the financial solidity of the enterprise.

The 'mortality' which affects the worker cooperative during the first three years of existence is very important. Although the Confederation has developed some actions in this domain, its limited means have not always permitted it to follow cooperatives as closely as necessary in the take-off phase.

The Delegation on the Social Economy must respond to some of these difficulties, in particular those concerning the financing of cooperatives. But among the obstacles to be overcome in order to encourage the cooperative impulse, that of the overall economic and cultural environment remains. From school days, individual labour has primacy over collective labour; team learning remains to be achieved. At university and higher education, the preparation for management, the professions and commerce ignores the forms of cooperative enterprise. The leaders of chambers of commerce, heads of ministries, banks, unions very often have only a very limited knowledge of what worker cooperatives are. Most of the time, when a potential entrepreneur seeks advice from such bodies, he is not alerted to the cooperative solution. It remains therefore, an important task to create a more favorable environment that could allow a significant expansion of cooperation and make it an important sector of the economy.

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### 1. Case of Worker Cooperative Creation: Trans bati SCOP' in Roubaix

'Trans bati SCOP' was born from six workers coming together, explains Guy Wabant, the commercial manager. This former lorry driver, retrenched in 1976, decided to create an enterprose with several friends in the same situation. The idea had been in his head for a long time. "Everyone participates here," he says. "If I am manager, it is because you have to have one".

In his office, recently carpeted, surrounded by estimates and invoices Guy Wabant talks about the beginnings of the venture. "The main obstacles were in the administrative area. It was necessary to walk down miles of corridors and knock on hundreds of doors." They lacked advice more than anything, he admits. It is not easy for a lorry driver to abandon the steering wheel for the office of a building enterprise. He leafed mechanically through "Aid for Regional Development", his bedside reading for the past six months. "In any case, in order to be helped it is necessary to set up".

Guides, studies and reports have played their part. In this way the battlements were stormed. 'Trans bati SCOP' renovates and trasforms apartments more than thirty years old. Some yards are in operation in Tourcoing and Hem. "An enormous storm, a week before the coop started, gave us a lot of help: a windfall for roofers!", he admitted. Former lorry driver Guy Wabant pointed out the ambiguity of the word 'trans'. "'Trans' is for transformation but it is also for transport. Rather than waiting in the yards, the trucks do all sorts of jobs. It's a question of return.

#### Greater Participation

And money? Working capital is very important. Purchases, rental on 800 m2 of buildings, insurance, the 20,000 francs needed to constitute a SARL. It took all he had. The development subsidy from Assedic a the beginning has been most valuable. Plus each person has put in his contribution. But in spite of the assistance of the French Cooperative Credit Bank, the eternal cashflow problems reappeared at the end of every month.

"The worker cooperative is an enterprise like any other, but where everyone works for each other." The workers employed must become members at the end of a year, or leave. Each pays 3% of his salary into the capital of the enterprise. And the surpluses are paid out as a pro rato of wages. There is a bonus for anyone who scores a new contract. "That avoids working black, for when anyone does a job on his own, it is in a sense stealing from the

others."

Here, everyone is involved in the good running of the business. "If a worker spills a box of nails, he takes the time to gather them up. And if you have to be told off, you don't stand around sulking." Guy Wabant recognizes that it is difficult to learn to work for oneself. "But the results are better - the environment as well."

Decisions are taken at general meetings. "Most often around a glass", he points out, "every month and according to the principle of one man = one vote. It's like a family, without being paternalistic." [...]

#### Interchangeability First

"Our turnover has seen the same rate of growth as has the personnel, it has gone from one to three. A cooperative is viable if it is well managed." According to him, the golden rule is contained in a single word: interchangeability. The employees of TBS are in turn roofers, painters or joiners. An excellent way of ensuring that everyone has work. Especially in a sector marked by casual labour. When the barometer drops the roofer leaves his roof to help the plumber, the mason exchanges his trowel for pliers. Each finds his level. [...]

[extracted from: La Vie, special edition on 'Alternative Work in Nord-Pas-de-Calais'.]

# 2. Cases of Transformation of Companies into Worker Cooperatives

\* At Le Mans, the employees of the 'Etablissements Jean Cogne' were reserved when their employer proposed to them, in 1978, to sell to them at a low price the take-away business that he directed. The social climate was good, the relations between the employer and the enterprise committee, frank, and the economic situation of the business, healthy.

Thus after several meetings and a redesign of the project (transformation of the sale... into a donation), a group of workers agreed to become members in order to maintain the continuance of the enterprise after the decade which separated the employer and retirement. It seems therefore that the main motive of workers has been to thereby assure their job security. Cooperative participation is only a complement to the financial effort which is being asked of them, without there being any collective project to unite these new cooperators from the beginning.

\* Near Cholet (Maine-et-Loire), at ATO, on the other hand, there was a certain common ideal between the employees and their

employer, who inherited this artisanal business by chance in 1953. The good relations existing in this little work team has resulted from the storm of events in May 1968 and the unification of the workers and their employer into a worker cooperative with the support of local authorities and the cooperative movement.

\* Finally, at Grand Lemps, a rural municipality of 2000 inhabitants in Isere, the Dauphineige company going into retrenchment and the subsequent retrenchment of 68 employees would have gone virtually unnoticed in the wave of closures of shoe factories, except for the tenacity of three staff to keep the business going. Four month later, the enterprise reopened its doors as a worker cooperative with the support of local authorities and the cooperative movement.

If these three examples underline the diversity of circumstances which might lead to the creation of a worker cooperative from "on high", it does not prevent these cooperatives from having to face dificulties of the same order:

- how to firstly convince the workers to participate in the financing of an enterprise which stands - at least initially - outside them?
- how to get them to become involved in this unexpected participation and, further, to allow them to become a credible cooperative management?

# 3. Resumption of an Enterprise in Difficulties in the Form of a Worker Cooperative: The Case of Manuest

An enterprise in a rural zone in the Vosges employing 600 people and making kitchen and bathroom furniture went into receivership in 1974. The firm was in a viable market and had expanded over previous years but bad management led the enterprise to close its doors.

The workers, for the most part members of the CFDT, occupied the factory and sought solutions for resuming activity. Some other companies were interested in purchasing the enterprise. At the same time the workers contacted the Confederation of Worker Cooperatives in order to recommence activity in the form of a worker cooperative.

The Confederation dispatched two 'experts' who analysed the books, judged it economically viable, thought that the straightening out of the enterprise was possible and that the people involved were very motivated. A dossier for the purchase of the assets was submitted, in competition with those of the other interested companies, to the Commerce Tribunal which, in the end judged the cooperative proposal more credible than the other dossiers and gave it preference.

Parallel to this legal development, a financial dossier was worked out:

- the retrenched workers paid their indemnities into the capital of the cooperative (600,000 F [\$A 82,000]);
- the Cooperative Expansion Fund accorded a loan of 500,000 F [\$A 68,500] on current account for seven years;
- the Furnishing Trade Union made a grant of 2.5 million francs [\$A 342,5000];
- the State, through the means of regional development bonuses [=dollar for dollar grants], made grants over three years of 2 million francs [\$A 274,000];
- some banks, the Central Cooperative Credit Bank and the Regional Development Society Lordex, each made a long term loan of around 2 million francs [\$A 274,000], guaranateed by the Vosges Departmental Council.

The workers have thus succeeded, thanks to their initial capital constituted from their retrenchment indemnities of 600,000 francs, in mobilizing between the State, their profession, the banks and the local infrastructure a considerable sum [\$A1,712,300 in all] which allowed them to purchase the assets of the old firm, to invest in new machines and constitute working capital.

At the human level, the group of workers who led the operation, established a surveillance committee and asked the two experts from the Confederation to constitute the management which would run the enterprise; the enterprise resumed activity on the 1st of April with 80 persons, around 300 persons having found other jobs or not wishing to take up work and 220 persons remaining unemployed for a year for economic reasons.

Today Manuest cooperative has 250 employees and everyone from the old firm who wished to work in the cooperative are there. The cooperative's business is flourishing and is making substantial surpluses.

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Figure 1. — Regional Unions of SCOP

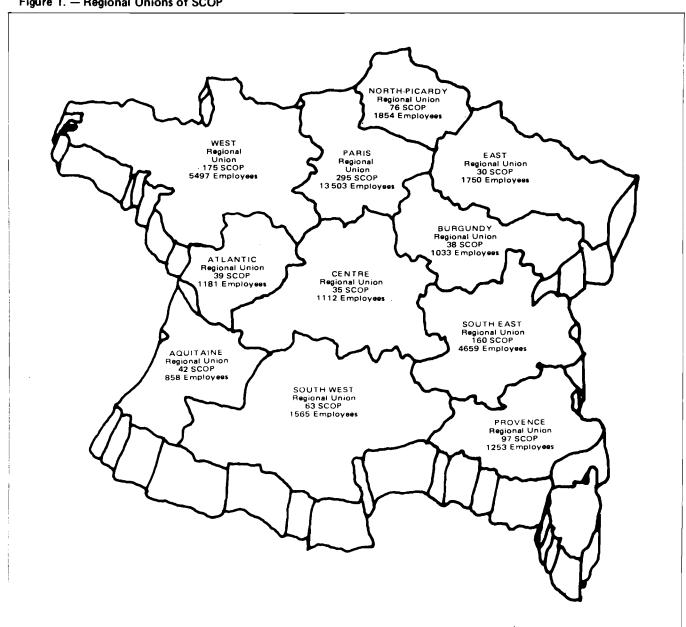


Table 1. — The n	nembers of the	European C	ommittee of	Worker Co-o	peratives [CI	ECOP] (31.12	2.80)*
Country	Industrial Co-ops	Building Co-ops	Service Sector	Total of Worker Co-ops	No. of Workers	Workers who are also Members	Annual Turnover in Millions of Dollars
Belgium				nd			
Denmark	250	200	350	800	46,000	27,000	580
France	416	352	125	893	49,000	17,000	947
Great Britain	64	30	290	384	10,600	5,200	153
Italy	989	2,504	2,001	4,494	209,900	191,364	3,804
Netherlands	100	100	250	450	6,100	2,100	89
West Germany				nd			
Total	1,819	3,186	2,916	7,921	321,600	242,664	5,573
* The members of CE	COP represent 60%	of the total num	ber of workers c	o-operatives.			

		nomic weight o novement (197				
Sector of Activity	Members	Administrative Staff	Number of Co-op Sites <sup>1</sup>	Employees	Size Indicators	
Worker co-operatives	15,000		573	32,000	Turnover: 4,200 million francs	
Consumer co-ops	2,000,000	3,500	6,58 <b>9</b>	44,000	Turnover: 17,700 million francs	

Sector of Activity	Members	Administrative Staff	Number of Co-op Sites <sup>1</sup>	Employees	Size Indicators
Housing co-ops	380,000	2,600	275	5,000	350,000 homes constructed since 1945
Maritime co-ops	23,000		111	3,000	Turnover. 800 million francs
Small trader co-ops	22,500	1,670	60 co-op- eratives representing circa 15,000 points of sale	4,100	Turnover: 25,000 million francs
Artisans co-ops	50,000	3,500	1,200	na	na
Transport co-ops	_		17 SCOP representing 430 enterprises	2,000	Turnover: 432 million francs
Agricultural co-ops	2,000,000	60,000 (not including CUMA) (2)	4,000 + 7,000 CUMA (2)	125,000	Turnover: 100,000 million francs
Mutual societies					
<ul><li>agricultural mutual insurances</li></ul>	80% of farms	1,300	28,000 banks	30,000	4,500 million francs in deposits
<ul><li>agricultural social mutual societies</li></ul>	8,000,000 super- annuitants	152,000 elected reps 1,571	85 depart- mental or regional offices	30,000	social budget: 47,000 million francs
Agricultural credit bank	3,500,000	40,000	3,000 local banks and 9,800 permanent and temporary bureaux 94 regional offices	60,000	Consolidated balance: 358,000 billion francs
Mutual credit bank	2,500,000	35,000	3,000 local banks	14,000	Balance: 53,000 million francs
Co-operative credit bank	5,000	-	18	800	Consolidated balance:: 7,000 million francs
Popular savings banks	600,000	460	37 regional banks and 1,750 agencies and bureaux	25,500	Consolidated balance 72,000 million francs
Maritime credit bank	50,000		100 agencies	600	1,700 million francs

 <sup>(1)</sup> This term covers production, distribution or service establishment of the various cooperatives.
 (2) CUMA Farm Machinery Usage Co-op.

Figure 2. - Elective Structures: SCOP and their representation

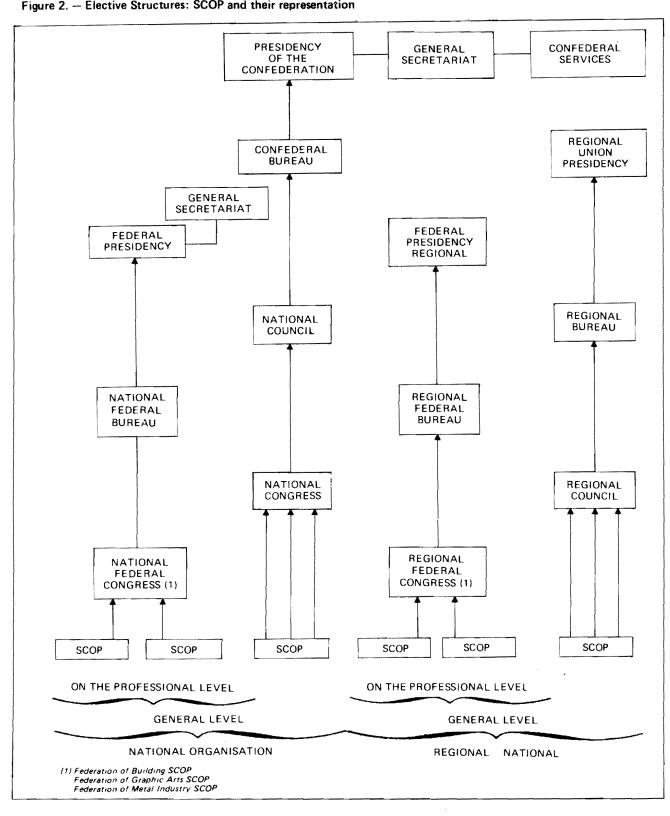


Table 3. — Evolution o worker co-ops (1970-1		ber of ag	ricultural	and		
	1970	1972	1973	1974	1976	1979
Number of agricultural co-ops	5,050	4,700	4,600	4,400	4,300	4,000
Number of worker co-ops	522	540	520	527	599	698

Table 4. – Evo	olution of the number of worker co-ops (19	70-1981)	
Year	Number of worker co-op members of the confederation	Index	
1970	522	100	
1971	531	101.7	
1972	540	103.4	
1973	520	99.6	
1974	527	101.0	
1975	545	104.4	
1976	559	107.1	
1977	552	105.7	
1978	573	109.8	
1979	698	133.7	
1980	811	149.9	
1981	933	164.9	

Size	Number of SCOP	%	Total employees	%
1 – 9 employees	475	45	2,578	7
10 - 50 employees	448	43	10,401	30
51 - 100 employees	57	5	3,898	11
100 + employees	70	7	17,988	52
Total	1.050	100	34.865	100

Same of	Normalia		No. 1 au 5		Average size of SCOP	
Sector of activity	Number of SCOP	%	Number of employees	%	expressed as av. number of employees	
Building, public works and connected activities	409	39	15 265	44	38	
			15,365	• •		
Printing, books	102	10	2,128	6	21	
Mechanics, metal work, electrical	109	10	5,152	15.5	47	
Timber, furnishings, and glassworks	42	4	2,538	7	60	
Food, agriculture	29	3	499	1	17	
Leather, textiles	48	5	2,518	7	52	
Provision of intellectual and cultural services	198	19	2,422	7	12	
Provision of material			_,	•		
services	98	9	4,118	12	42	
Other	15	1	125	0.5	8	
Total	1,050	100	34,865	100	33	

Regional union	Number of SCOP	%	Number of employees	
Parisian regional union	295	28	13,503	
North Picardy regional union	76	7	1,854	
Burgundy regional union	38	4	1,033	
Eastern regional union	30	3	1,750	
South-eastern regional union	160	15	4,659	
Provence regional union	97	9	1,253	
South-western regional union	63	6	1,565	
Aguitaine regional union	42	4	858	
Central regional union	35	3	1.112	
Atlantic regional union	39	4	1,181	
West regional union	175	17	5,497	
Total	1,050	100	34,865	

Table	8	Annual	creation	of co-ons	(1975-1981)
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Year	Number of creations of co-ops	Number of jobs created
1975	51	1,095
1976	42	1,184
1977	76	1,135
1978	103	1,287
1979	140	1,894
1980	154	2,665
1981	228	3,202

Table 9. — Evolution of types of creation (1977-1982)

Year	Creations	ex nihilo	Transformations		Conversion of failing enterprises		Total	
	Number of SCOP	Number of employees	Number of SCOP	Number of employees	Number of SCOP	Number of employees	Number of SCOP(*)	Number of employees
1977	27	411 <i>25</i> %	5	105 <i>7</i> %	17	1,097 <i>68</i> %	49	1,613 <i>100</i> %
1978	37	476 <i>37</i> %	10	345 27%	20	462 <i>36</i> %	67	1,283 <i>100</i> %
1979	66	711 <i>40</i> %	11	457 26%	23	574 <i>3</i> 4%	100	1,742 <i>100</i> %
1980	85	708 <i>28</i> %	18	469 18%	30	. 1,372 <i>54</i> %	133	2,549 100%
1981	128	949 <i>30%</i>	21	444 14%	70	1,923 <i>56</i> %	219	3,316 <i>100</i> %
1982 (5 months)	42	333 28%	8	105 <i>9</i> %	24	737 <b>6</b> 3%	74	·1,175 <i>100</i> %

<sup>(\*)</sup> In comparison between Tables 8 & 9, there appears to be a difference in the number of worker co-ops: Table 9 gives the number which have survived.

Table 10. - Breakdown of creation by sector of activity (1980-1981)

Year	Build public	ing & works	Graph	nic arts	Met Mech	als - anics		r - glass tiles	Serv	vices	ces Total	
. •••	Number of SCOP	Number of jobs	Number of SCOP	Number of jobs	Number of SCOP	Number of jobs	Number of SCOP	Number of jobs	Number of SCOP	Number of jobs	Number of SCOP	Number of jobs
1980	44	655	10	63	22	926	22	429	56	59 <b>2</b>	154	2,665
	<b>28</b> .6%	<b>25</b> %	6.4%	<b>2</b> %	14.3%	16%	36.4%	16%	36.4%	<b>22</b> %	<i>100</i> %	100%
1981	74	830	16	158	28	463	30	1,092	80	659	228	3,202
	<i>32</i> %	<b>26</b> %	<b>7</b> %	<i>5</i> %	12%	14%	13%	<i>34</i> %	<i>35</i> %	21%	100%	10 <b>0</b> %